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1 JUL 1982

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA : Deputy Director for Intelligence

FROM : [REDACTED]
Director of Global Issues

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SUBJECT : PFIAB Meeting (8 July 1982)--Soviet Oil
Prospects [REDACTED]

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1. Action. None; this memorandum is for your information only. [REDACTED]

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2. Background. In response to your request, I am attaching copies of previous comparisons of CIA's estimates of Soviet oil prospects (as published in prior years) with those of DIA, certain foreign intelligence agencies and outside experts. Because of the urgency of the request, these are "off the shelf" items. We will follow up early next week with a unified table showing a comprehensive comparison. [REDACTED]

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3. As you know, the Agency is now in the process of revising the estimate. To present a new forecast for the 1985-1990 period would be premature. It is clear based on the new research done to date by SOVA and OGI, however, that the revised estimate will be closer to that of DIA in terms of production and reserves, but still lower. As the analysis is now shaping up, our conclusions would include:

- o that oil production is currently at or near its peak;
- o that the Soviets have only an outside chance of reaching their target production of 12.6 million b/d of crude by 1985--and then only by dint of massive additional investment in the oil industry;

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- o that, though the USSR remains rich in hydrocarbons, in the absence of new discoveries of large giant or supergiant fields in accessible regions, production by 1990 could fall by one to two million b/d below current levels; and
- o that the cost of extracting oil and delivering it where Moscow needs it to go is increasing rapidly; the rapidly increasing costs of oil to the USSR may well be more important than the oil volume issue

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4. DIA's estimate remains essentially the same as it has always been: that the Soviets will face no decline in oil production during this decade. Most other estimates--with a few exceptions--seem to cluster near our current views.

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5. Last year, Senator Schmitt criticized previous Agency estimates of Soviet oil prospects for being too pessimistic--the result of their not being based on geologic and engineering analysis. Shortly afterwards, a representative of my office met with the Senator informally and briefed him on the key roles geologic basin assessment techniques, photogeology, and reservoir engineering (the Project CHALLENGE approach) are now playing in our estimates. Senator Schmitt seemed pleased with the information, and noted that he had been concerned that the Agency was not making use of the the kinds of data that could be gleaned from Soviet scientific literature and from the technical collection systems. In fact, as the Senior Review Panel report points out, we have been using all of these tools and sources to increasingly good advantage since the late 1970s.

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Attachments:
As stated

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OGI/ED/PS [redacted] (1 Jul '82)

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